BANK OF AMERICA

Bank of America UK Retirement Plan

Statement of Funding Principles

April 2023

Bank of America UK Retirement Plan *(the Plan)*
Statement of Funding Principles (*SFP*)

Introduction

This statement sets out the policy of Bank of America UK Retirement Plan Trustees Limited (the Trustee) for securing that the statutory funding objective (*SFO*) is met. The SFO is defined in section 222 of the Pensions Act 2004, which states that every scheme must have sufficient and appropriate assets to cover its technical provisions.

This statement updates the previous statement dated 3 October 2019 which applied to the actuarial valuation of the Plan as at 31 December 2018.

Technical provisions

The technical provisions are the amount that will be needed to pay the Plan's benefits that relate to service up to the valuation date, if the assumptions made are borne out in practice.

The assumptions used to calculate the technical provisions are intended to provide a prudent estimate of the future experience of the Plan, with a modest allowance for the future potential outperformance over gilts from continued investment in more risky asset sectors. There is an underlying assumption that the Plan will continue with benefits being met from the Plan as they fall due.

The method and assumptions used to calculate the technical provisions are summarised in Appendices A and B.

Employers' contributions

The following amounts are paid by the Employers:

- The agreed contributions for members of the Money Purchase Section of the Plan.
- An agreed percentage (of Plan Salaries) to cover spouses' death in service pensions for members of the Plan who are entitled to a spouses' death in service pension.
- The premiums paid to insure the lump sum death benefits.
- To the extent set out in the Schedule of Contributions in force, any levies due to the Pension Protection Fund, other levies collected by the Pensions Regulator and the Plan's other administrative expenses.

Dealing with shortfalls

Any shortfall in assets compared with technical provisions identified at an actuarial valuation will be eliminated as quickly as the Employers can reasonably afford by the payment of additional contributions. These contributions may increase on an annual basis by no more than the annual increase in the retail prices index.

In determining the recovery period at any particular valuation, the Trustee's principles are to take the following factors into account:

- The size of the funding shortfall;
- The business plans of the Employers;
- The Trustee’s assessment of the financial covenant of the Employers; and
- Any contingent security offered by the Employers or by another group company.

The assumptions to be used in the shortfall elimination calculations will be the same as those for calculating the technical provisions. In addition, allowance may be made for some of the expected out-performance of the Plan's assets compared to the discount rate during the recovery period.

Policy on discretionary increases and funding strategy

Discretionary benefits may be provided under Rule 22.3 of the Plan if the Principal Employer so requests and the Employers pay any additional contributions that the Trustee considers appropriate.

There is no allowance made for discretionary increases in the funding plan.

Frequency of valuations

The Plan's first actuarial valuation to which this statement applies is as at 31 December 2021. Subsequent valuations will normally be carried out every three years.

The Trustee will also obtain an actuarial report on developments affecting the Plan's funding level as at each intermediate anniversary of the valuation date.

The Trustee may call for a full actuarial valuation when, after considering the Scheme Actuary's advice, it becomes of the opinion that events have made it unsafe to rely on the results of the previous full valuation as a basis for future contributions from the Employers. However, the Trustee will consult the Employers before doing so.

Signatures

This statement has been agreed by the Employers

Signed on behalf of Merrill Lynch International as Principal Employer (on behalf of the Employers)

Signature: Alison Kanabe Name: Alison Kanabe

Position: SVP - Benefits Executive - GHR Date: Mar 29, 2023

This statement was agreed by the Trustee at its meeting on 29 March 2023.

Signed on behalf of Bank of America UK Retirement Plan Trustees Limited

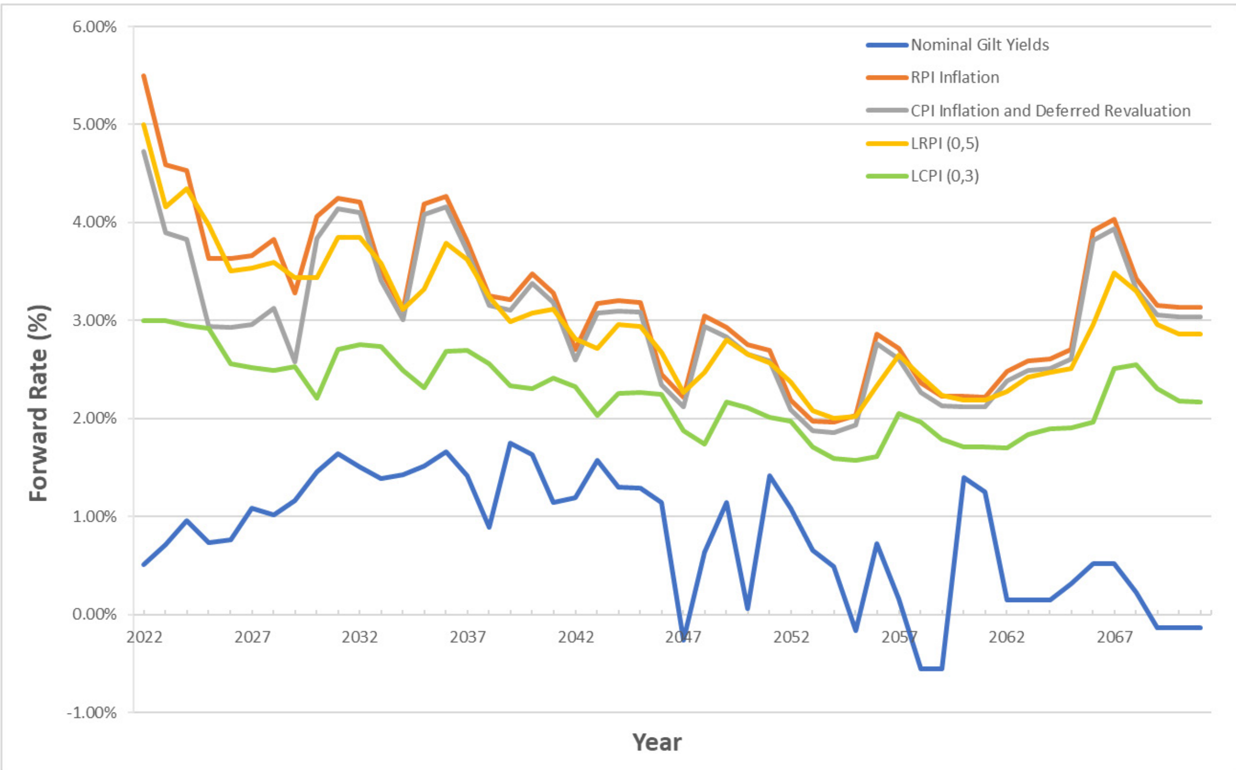
Signature: Peter Gibbs Name: Peter Gibbs

Position: Trustee Date: Mar 29, 2023

Appendix A:
Method and financial assumptions for determining the technical provisions and the Employers' contributions

Method	The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method with a one-year Control Period.
Financial assumptions for technical provisions - approach	The approach to be used in determining each of the financial assumptions for calculating the technical provisions is set out below. The assumptions vary depending on when the expected payment is made, i.e. they are "term dependent".
Price inflation	RPI inflation is derived from the gilt RPI inflation curve at the valuation date. CPI inflation is derived at 31 December 2021 by deducting 0.7% p.a. from the RPI inflation assumption up to 2030, and by deducting 0.1% p.a. thereafter. This difference will be reviewed at future valuation dates. For actuarial reports between valuations, CPI inflation will be derived by deducting 80% of the Scheme Actuary's best estimate for the difference between RPI inflation and CPI inflation from the RPI inflation assumption.
Discount rate	Term-dependent rates set by reference to the nominal gilt yield curve at the valuation date plus a margin for asset outperformance of 0.39% p.a.
Pay increases	Each member's pay is assumed to increase in line with the assumed rate of RPI inflation plus 1.5% p.a. In addition, an allowance is made for promotional increases (as set out in Appendix B). The benefits of members whose employment transferred from Merrill Lynch Europe Limited or any of the other Employers to Bank of America Merrill Lynch International Limited on or about 31 March 2014 will continue to be assumed to be linked to pay increases while they remain active members of the Money Purchase Section of the Plan in line with the contractual agreements between the members and the Employers.
Increases in pensions in payment	**LRPI (0,5) benefits (i.e. pension increases in line with RPI, subject to a minimum of 0% and a maximum of 5% in each year)** • This assumption is derived from LRPI (0,5) gilt yield curves at the valuation date. **LCPI (0,3) benefits (i.e. pension increases in line with CPI, subject to a minimum of 0% and a maximum of 3% in each year)** • This assumption is derived from the CPI inflation assumption. Other benefits in the Plan do not receive pension increases that are linked to inflation.

Rate of deferred pension increases	For deferred pension revaluation (excess over GMP), this is set equal to the CPI inflation assumption.
Future Section 148 revaluations / National Average Earnings increases	Set equal to the CPI inflation assumption plus 1% p.a.
Future increases in Basic State Pension	Triple lock assumed to continue.
Derivation of yield curves at 31 December 2021	The table and graph below set out the nominal gilt yield (used as a reference point for the discount rate) together with the RPI inflation, CPI inflation and pension increase assumptions used as at 31 December 2021. All figures are % p.a.



Years from valuation date	Nominal Gilt	RPI Inflation	CPI Inflation	LRPI (0,5) Increases	LCPI (0,3) Increases
1	0.51%	5.49%	4.73%	5.00%	3.00%
2	0.71%	4.59%	3.89%	4.16%	3.00%
3	0.96%	4.53%	3.83%	4.34%	2.95%
4	0.73%	3.64%	2.94%	3.97%	2.92%
5	0.77%	3.63%	2.93%	3.51%	2.56%
6	1.08%	3.66%	2.96%	3.54%	2.52%
7	1.02%	3.83%	3.13%	3.59%	2.49%
8	1.16%	3.28%	2.58%	3.44%	2.53%
9	1.46%	4.07%	3.84%	3.44%	2.21%
10	1.64%	4.25%	4.14%	3.84%	2.71%
11	1.50%	4.20%	4.10%	3.84%	2.76%
12	1.39%	3.51%	3.41%	3.58%	2.73%
13	1.43%	3.10%	3.00%	3.11%	2.49%
14	1.52%	4.19%	4.09%	3.32%	2.31%
15	1.66%	4.26%	4.16%	3.79%	2.69%
16	1.41%	3.81%	3.71%	3.63%	2.70%
17	0.89%	3.26%	3.16%	3.25%	2.56%
18	1.75%	3.21%	3.11%	2.99%	2.33%
19	1.63%	3.48%	3.38%	3.07%	2.30%
20	1.14%	3.28%	3.18%	3.12%	2.41%
21	1.20%	2.70%	2.60%	2.81%	2.32%
22	1.57%	3.17%	3.07%	2.72%	2.03%
23	1.30%	3.20%	3.10%	2.96%	2.26%
24	1.29%	3.18%	3.08%	2.94%	2.26%
25	1.14%	2.45%	2.35%	2.67%	2.25%
26	-0.27%	2.22%	2.12%	2.26%	1.87%
27	0.64%	3.04%	2.94%	2.47%	1.74%
28	1.14%	2.93%	2.83%	2.81%	2.17%
29	0.06%	2.76%	2.66%	2.66%	2.11%
30	1.42%	2.69%	2.59%	2.57%	2.01%
31	1.08%	2.19%	2.09%	2.37%	1.98%
32	0.66%	1.97%	1.87%	2.08%	1.71%
33	0.49%	1.96%	1.86%	2.00%	1.59%
34	-0.17%	2.03%	1.93%	2.02%	1.58%
35	0.72%	2.86%	2.76%	2.33%	1.61%
36	0.15%	2.71%	2.61%	2.65%	2.05%
37	-0.55%	2.36%	2.26%	2.43%	1.97%
38	-0.55%	2.23%	2.13%	2.24%	1.78%
39	1.39%	2.22%	2.12%	2.19%	1.71%
40	1.25%	2.22%	2.12%	2.19%	1.71%
41	0.15%	2.48%	2.38%	2.27%	1.70%
42	0.15%	2.59%	2.49%	2.43%	1.84%
43	0.15%	2.61%	2.51%	2.47%	1.90%
44	0.31%	2.71%	2.61%	2.51%	1.91%
45	0.52%	3.92%	3.82%	2.95%	1.96%
46	0.52%	4.03%	3.93%	3.49%	2.51%
47	0.22%	3.42%	3.32%	3.30%	2.55%
48	-0.14%	3.16%	3.06%	2.96%	2.31%
49	-0.14%	3.14%	3.04%	2.86%	2.18%
50+	-0.14%	3.14%	3.04%	2.86%	2.17%

Notes

- LRPI (x,y) is shorthand for RPI inflation subject to a minimum of x% each year, and a maximum of y% each year. LCPI (x,y) is the same but with CPI inflation.
- The figures above are annual forward rates that apply from time t-1 to time t.

Appendix B:
Demographic Assumptions

Post-retirement & pre-retirement mortality

SAPS S3 'Light' tables with scaling factors as per the table below, adjusted to allow for individual years of birth, making an allowance for future improvements in line with the CMI 2021 core projections [Sk = 7.0, A = 0.5%], with a long-term improvement rate of 1.5% p.a.

Scaling factors	Male members	Contingent dependant of male members	Female members	Contingent dependant of female members
Actives	101%	99%	104%	108%
Deferred	105%	102%	104%	112%
Non-Insured pensioners	103%	101%	103%	112%
Insured pensioners	102%	100%	101%	109%

Sample life expectancies are shown below.

For actuarial reports between valuations, the latest CMI projections will be adopted (together with any adjustments to the scaling factors which are needed to be consistent with the latest CMI projections).

Early and late retirements

Allowance has been made for members to retire early or late. Sample rates are shown below.

Withdrawals

Allowance has been made for withdrawals from service. See sample rates shown below.

Family Details

An eligible dependant is assumed to be of the opposite sex and three years younger than a male member or one year older than a female member.

The proportion of members assumed to have an eligible dependant are:

- **Pensioners:** varies by age. For illustration at age 62: 92% of male members and 74% of female members are assumed to be married or have an eligible dependant. This is assumed to reduce over time in line with contingent dependant mortality.
- **Non-pensioners:** 90% of male members and 77% of female members are assumed to be married or have an eligible dependant at retirement or earlier death. This is assumed to reduce post-retirement in line with contingent dependant mortality.

Commutation

Each member is assumed to commute 10% of their pension on retirement, based on the conversion terms in force at the valuation date.

Promotional salary increases

Allowance made for age-related promotional increases (see sample rates below).

GMP equalisation

A reserve of 0.25% of the liabilities is included in the technical provisions.

Expense reserve

A reserve of £40M is included in the technical provisions which equates to approximately 2.6% of the technical provisions.

Sample rates

The tables below illustrate the allowances made for withdrawals, deaths before retirement and retirements from service at various ages. Also shown is the allowance included for promotional pay increases, where the scale shows the ratio of promotional pay increases between two ages.

	Percentage leaving the Plan in the next year as a result of			
Current age	**Promotional pay scale**	**Withdrawal from service**	**Retirement from service (NRA62)**	**Retirement from deferred status (NRA62)**
40	820	7.50	-	-
45	940	3.75	-	-
50	985	-	-	-
55	985	-	15.0	5.0
60	985	-	15.0	5.0
61	985	-	15.0	5.0
62	985	-	60.0	60.0
63	985	-	25.0	25.0
64	985	-	25.0	25.0
65	985	-	100.0	100.0

Sample life expectancies

The assumed improvements in life expectancy for a deferred member are illustrated in the table below:

Current age	Male life expectancy on reaching age 62	Female life expectancy on reaching age 62
62	88.4	90.1
50	89.2	91.1
40	90.2	91.9

Appendix C:
Further information to meet requirement of Scheme Funding Regulations

Policy on reduction of cash equivalent transfer values	The Trustee will ask the Scheme Actuary to advise it at each valuation of the extent to which assets are sufficient to provide cash equivalent transfer values (CETVs) for all non-pensioners without adversely affecting the security of the benefits of other members and beneficiaries. Where coverage is less than 100%, the Trustee will take advice from the Scheme Actuary regarding whether to reduce CETVs and, if appropriate, the extent of such reduction. If at any other time, after obtaining advice from the Scheme Actuary, the Trustee is of the opinion that the payment of CETVs at a previously agreed level may adversely affect the security of the benefits of other members and beneficiaries, the Trustee will commission a report from the Scheme Actuary regarding whether and, if appropriate, the extent to which CETVs should be reduced.
Payments to the Employers	On the winding up of the Plan, under Rule 29.6 if any assets remain after all benefits have been provided in full, the Trustee may, in consultation with the Principal Employer, increase benefits or provide additional benefits to any extent that they consider appropriate. Any assets then remaining would be paid to the Employers in such shares as the Trustee decides.
Contributions to the Plan	There are no arrangements currently in place for persons other than the Employers or members of the Plan to contribute to the Plan.